

SENATE RECORD VOTE ANALYSIS

105th Congress
1st Session

Vote No. 134

June 26, 1997, 4:18 pm
Page S-6434 Temp. Record

TAXPAYER RELIEF ACT/Daschle Substitute

SUBJECT: Taxpayer Relief Act of 1997 . . . S. 949. Daschle amendment No. 527.

ACTION: AMENDMENT REJECTED, 38-61

SYNOPSIS: As reported, S. 949, the Taxpayer Relief Act of 1997, will provide net tax relief of \$76.8 billion over 5 years and \$238 billion over 10 years. The cost will be more than offset by the economic dividend (\$355 billion over 10 years) that will result from balancing the budget in fiscal year (FY) 2002. This bill will enact the largest tax cut since 1981 and the first tax cut since 1986. It will give cradle-to-grave tax relief to Americans: it will give a \$500-per-child tax credit, education tax relief, savings and investment tax relief, retirement tax relief, and estate tax relief. Over the first 5 years, approximately three-fourths of the benefits will go to Americans earning \$75,000 or less. It will eliminate a third of the increased tax burden imposed by the 1993 Clinton tax hike, which was the largest tax hike in history.

The Daschle substitute amendment for the bill (the bill was reported 18-2, with two Republicans voting "no," by the Finance Committee) would reduce tax relief by 20 percent, would delay almost all of the relief until the next century, and would give substantial "tax cuts" to people who do not pay any income tax at all. Details are provided below.

- \$14 billion in relief from the \$500 child credit would be denied: by applying it only to children under 13 this century; by cutting it to \$350 unless a family was rich enough to set up an education savings account instead of taking the cash to meet the immediate financial needs of its children; and by phasing the credit out for families beginning at \$70,000 in income instead of \$75,000; the credit could also be taken fully by people with no income tax liability by refunding it against payroll taxes.

- A partial HOPE education credit of \$1,100 would be given from 1997-2000 and a partial credit of \$1,200 would be given in 2000 (the bill will give, and President Clinton has proposed, a full \$1,500 credit immediately); the amendment would give a total of \$41 billion over 5 years for education, which is \$6 billion more than agreed to in the budget agreement.

- The capital gains tax relief would be reduced by a net of 10 percent by striking the rate reductions and substituting an across-the-board 30-percent exclusion that would only apply to assets held for 3 years or more; even the lowest income workers (in the 15-percent tax bracket) would have to pay a higher capital gains tax under the Daschle amendment.

(See other side)

YEAS (38)		NAYS (61)			NOT VOTING (1)	
Republicans (0 or 0%)	Democrats (38 or 84%)	Republicans (54 or 100%)	Democrats (7 or 16%)		Republicans (1)	Democrats (0)
Akaka	Kennedy	Abraham	Helms	Baucus	Roberts- ²	
Biden	Kerry	Allard	Hutchinson	Breaux		
Bingaman	Kohl	Ashcroft	Hutchison	Bryan		
Boxer	Landrieu	Bennett	Inhofe	Byrd		
Bumpers	Lautenberg	Bond	Jeffords	Graham		
Cleland	Leahy	Brownback	Kempthorne	Kerrey		
Conrad	Levin	Burns	Kyl	Moynihan		
Daschle	Lieberman	Campbell	Lott			
Dodd	Mikulski	Chafee	Lugar			
Dorgan	Moseley-Braun	Coats	Mack			
Durbin	Murray	Cochran	McCain			
Feingold	Reed	Collins	McConnell			
Feinstein	Reid	Coverdell	Murkowski			
Ford	Robb	Craig	Nickles			
Glenn	Rockefeller	D'Amato	Roth			
Harkin	Sarbanes	DeWine	Santorum			
Hollings	Torricelli	Domenici	Sessions			
Inouye	Wellstone	Enzi	Shelby			
Johnson	Wyden	Faircloth	Smith, Bob			
		Frist	Smith, Gordon			
		Gorton	Snowe			
		Gramm	Specter			
		Grams	Stevens			
		Grassley	Thomas			
		Gregg	Thompson			
		Hagel	Thurmond			
		Hatch	Warner			

EXPLANATION OF ABSENCE:

1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:

AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

- The retirement savings incentives would be stricken (even President Clinton's proposal included retirement savings incentives).
- The additional \$8 billion to insure currently uninsured children would not be provided.
- estate tax relief would be cut by more than 50 percent by sharply limiting to whom it would apply.

Those favoring the amendment contended:

We have offered this amendment with no illusions that it will pass. Rather, it is intended to give the public an idea of what would have been passed had Democrats been in the majority. The plan that is before us has bipartisan support because Republicans on the Finance Committee were solicitous of Democratic Members', and the White House's, views in its drafting, but it still tilts toward Republican priorities because Republicans are in the majority. Many of us will very likely vote for final passage of this bill, because on balance it will have a positive effect, but that does not mean that it cannot be better. This amendment details many ways in which it could be better.

In crafting this amendment, we had four priorities. First, we wanted to distribute the cuts fairly. This bill, over 20 years, will give more tax relief to the top 1 percent of taxpayers than it will to the bottom 60 percent. That distribution is just not fair. The Daschle amendment would fix this problem by striking most of the cuts for wealthier Americans and by making the \$500-per-child tax credit refundable against payroll taxes, which are collected for Social Security and Medicare. This credit should be refundable because people in the bottom two quintiles of income pay almost no income taxes but they do pay a lot in payroll taxes. This bill, in effect, will make only half of the child credit refundable. Our second priority was to target the growth incentives to those companies and those activities where they would do the most good. We did so mostly by changing the capital gains rate reductions into an across-the-board 30-percent exclusion. The way the math works out on this proposal, it would prevent higher-income taxpayers from getting benefits from the change, but middle-income Americans would benefit. We also narrowed and increased the estate tax relief so that it would help the small businesses and family farms that needed it most. Our third priority was to expand educational assistance. In total, this amendment would provide \$6 billion more than the underlying bill. It would do so in several ways, including by increasing Pell Grant eligibility. Our final priority was to eliminate the tax cut backloading in the bill. In the first 5 years, the underlying bill will give more than \$70 billion in tax relief. The 10-year total will be almost \$250 million, with a large part of the money in the second 5 years going to wealthy people taking advantage of the IRA, capital gains, and alternative minimum tax provisions. Those provisions will not cost much in the first 5 years, but the total lost revenue will explode in the outyears. Accordingly, the Daschle amendment would eliminate the IRA Plus provision (which will allow taxpayers to set aside up to \$2,000 per year in after-tax income in IRAs and not pay taxes on the income or interest when they make withdrawals), the increase in the individual's exclusion of income from the alternative minimum tax, and other provisions. As we said at the outset, we do not expect our colleagues to accept this amendment. However, it will serve to let the American people know how a majority of Democrats would structure this bill if they were in the majority. On that basis, we will vote for the Daschle amendment.

Those opposing the amendment contended:

Our colleagues tell us that the Daschle amendment is intended to serve notice of the type of bill the Democrats would offer if they were in the majority. With all due respect, the idea that the Democrats would even have remotely considered cutting anyone's taxes if they were in the majority flatly contradicts the past 30 years of experience. Not since President Kennedy has any Democrat truly believed in cutting taxes. Year after year, on bill after bill and amendment after amendment, our liberal Democratic colleagues unfailingly are quick to discern all sorts of wonderful reasons why taxes need to be raised in order for the Federal Government to spend more money (and for those same reasons they are also always willing to borrow even more money to spend). We are not saying that we doubt that a majority of our Democratic colleagues would prefer to enact the Daschle amendment instead of the underlying bill. They would of course rather approve a plan that gives 20 percent less tax relief in the first 5 years and much less thereafter (though we do not know for sure how much less because our Democratic colleagues have not given us any scoring of this amendment after the first 5 years and no other scoring is available). They also would of course prefer the Daschle amendment because it would give a larger part of that tax relief to people who do not even pay any income taxes. Democrats raise taxes. If they were in the majority in Congress, they would be raising taxes again, not cutting them.

On its merits, the Daschle amendment is considerably less desirable than the underlying bill. Its basic defect is that it is driven by class-envy. The only numbers we have for comparison purposes are the 5-year numbers for the bill and the 5-year numbers for the Daschle amendment. Based on those numbers, what Democrats are trying to do with the Daschle amendment is eliminate tax cuts for upper-income taxpayers and increase them for lower-income people, who do not pay income taxes. Right now, the top 20 percent of income earners in America pay 80 percent of the income taxes in America, and the bottom 40 percent pay almost no income taxes. Does it really come as a surprise to our Democratic colleagues, therefore, that the bipartisan bill that was reported from the Finance Committee to cut income taxes did not send most of those tax cuts to people who did not pay taxes? A fair bill would give relief to people in proportion to how much taxes they pay; on that basis the Daschle amendment cannot be called fair. Neither can this bill,

JUNE 26, 1997

VOTE NO. 134

though, because most of the benefits it gives will not go to the people who pay the most in taxes. Instead, three-fourths of the benefits will go to people earning less than \$75,000 per year. The underlying bill is steeply progressive, but at least the benefits it will give will actually go to average, middle-class Americans who pay income taxes.

Our colleagues keep insisting that the tax cuts in the bill will go to rich people based on their charts from the Clinton Administration, but the Clinton Administration used a bogus definition of income to come up with that claim. According to the President, an American who earns \$40,000 per year really has an income of \$65,000 per year because of "imputed" income. What is "imputed" income? If that American owns a house, that American could be earning rent instead of living in that house, and the rent he or she could be earning should be counted as part of his or her income. If that American has any type of health plan, retirement plan, life insurance, or pension benefits, then the cash value of all those items are part of his or her "imputed" income. President Clinton and his Democratic colleagues pulled this same stunt in 1993 when they imposed the largest tax hike in history and said that it was on "rich" people because of their imputed income. Initially, by using this imputed income gimmick, they even tried to call a tax on Social Security benefits of retirees with incomes of as little as \$25,000 per year a tax on rich retirees. Our colleagues should stop their distortions and debate the bill on its merits. No one else in America, or in the world, uses imputed income as a measure of income; they should stop using it as an excuse to increase taxes or to deny tax relief.

Though our colleagues tell us that they have three other goals for their amendment as well, we have difficulty in seeing how the steps taken to achieve two of those goals are really anything other than additional class-warfare provisions. They have said that they have targeted the pro-growth capital gains and savings provisions to where they would do the most good, and they wanted to make sure that the cuts would not balloon in the outyears, but all they have basically done is eliminate most of the cuts that they thought would benefit higher-income taxpayers. Interestingly, the Daschle amendment itself is heavily backloaded in its benefits. It is truly a plan for the 21st century, because most of the tax cuts it would grudgingly give would not take effect until then. We do not know what its total outyear costs would be, though, because we have not been given 10-year estimates, let alone the ridiculously long 20-year estimates our colleagues have quoted for the underlying bill.

The final section of the Daschle amendment would enact additional tax cuts for higher education of \$6 billion over 5 years. These extra targeted tax cuts would break the budget agreement, but more importantly they are structured in a manner that would encourage higher tuitions to be charged. Students would not get any net benefit from these cuts. Rising tuition costs have been a huge problem in recent years; in the last 15 years they have soared 234 percent. Students are not getting 234 percent more in education; they are just paying more. The proposals in this bill were carefully constructed by Members from both sides of the aisle, and with the active support of colleges, in order to provide aid without adding to this huge inflationary problem.

A final fact that needs to be noted is that one of the reasons this amendment would come within 20 percent of the total 5-year tax cuts in the underlying bill is that it would not give the additional \$8 billion to insure currently uninsured children. We know our colleagues support that proposal, and if they thought their amendment had any chance of passing they would have included it. By leaving it out, they were able to make their net tax cut look better than it really was.

This amendment, of course, does not have any chance of passing. It was not offered to be constructive; its sole purpose is to make a political statement. We do not agree with the class-warfare statement it makes, and thus urge its rejection.